

**VERMONT PENSION INVESTMENT COMMITTEE**  
**June 26, 2012**

**VPIC Members Present:**

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

**VPIC Member(s) Absent:**

None

**VPIC Alternate Members Present:**

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

THOMAS MCCONNELL, VSTRS *Alternate*, term expiring June 30, 2013

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

**VPIC Alternate Member(s) Absent:**

None

**Also attending:**

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Jaye Johnson, Attorney General's Office

Christopher Levell and Doug Moseley, NEPC LLC

Jeff Briggs, VSERS Board Member

Aaron X. Montano, Alliance Bernstein

Monica Chiren, Clerk

**CALL TO ORDER:**

The Chair, Mr. Rauh, called the Tuesday, June 26, 2012 meeting to order at 8:30 a.m., which was held in the 4<sup>th</sup> Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1:      **Agenda Approval, Announcements, and Minutes of May 22, 2012  
Regular Meeting****

The Chairperson, Mr. Rauh briefly reviewed the agenda. Mr. Rauh indicated Mr. Altemus can present an update on the PIMCO conference at the end of the day. The Committee Members congratulated Ms. George on her recent marriage.

**On a motion by Mr. Jeffrey, seconded by Mr. Altemus, the Committee unanimously approved the minutes of the May 22, 2012, Regular Meeting, as submitted.**

**ITEM 2:      Director of Investments Report**

- **Custody Transition**
- **Review May Flash Report**

Mr. Considine indicated to the Committee the liquidation of the Securities Lending portfolio has been completed, with the only item remaining being the clean-up of three securities which have no value.

Mr. Considine indicated PIMCO had downgraded two securities, one in the Core Plus portfolio and one in the Unconstrained Bond portfolio, but since they were below the maximum value for which a Director approval can be granted, PIMCO was given permission to retain the holdings. Mr. Considine indicated 2% and 1.6 % of the holdings in the PIMCO Core Plus and PIMCO Unconstrained respectively are below the minimum investment grade.

Mr. Considine indicated to the Committee that as a result of competitive pressures and fund underperformance Wellington has reduced the fee on the DAS product from 125 basis points to 75 basis points.

Mr. Considine reviewed with the Committee the assets under management and portfolio asset allocation update.

Mr. Considine indicated he has gathered the information for the attendance and educational report. He indicated the report will be finalized in July and will be presented at the August VPIC meeting.

Mr. Considine indicated the custodial contract with J.P. Morgan was signed on Friday. Mr. Considine indicated he has been in close communication with both State Street and J.P. Morgan coordinating this transition. Mr. Considine indicated to the Committee he did not foresee any issues with the custody transition.

(Mr. Gaffney arrived during this agenda item.)

Ms. Johnson inquired what the wording was of the motion made relative to the J.P. Morgan contract. It was indicated that information would be obtained from the minutes.

Mr. Levell and Mr. Moseley reviewed the May 2012 flash report with the Committee. Mr. Levell and Mr. Moseley responded to the questions posed by the Committee members.

(Ms. Pearce left the meeting during this agenda item.)

**ITEM 3:**      **Discussion Items/Updates**

- **Vermont State Treasurer's Update**
- **Contract Updates**
- **BERS Contract Update**
- **NEPC Investment Manager Watch List Update**

Mr. Rauh indicated they will have the Treasurer's Update later on in the meeting when Ms. Pearce is present.

Ms. Johnson indicated the contract with JP Morgan has been finalized, as Mr. Considine indicated. Ms. Johnson indicated there are no issues with the amendment to the Champlain or the HarbourVest contracts.

Mr. Wisloski provided the Committee with the BERS contract background and indicated he will provide the Committee a further update in August.

It was the consensus of the Committee that the Treasurer's Staff would handle the RFP and screening process for the Terror Nations/Genocide compliance service.

Mr. Moseley indicated there was no change to the VPIC managers watch list.

There was a short discussion about the new GASB reporting standards. Mr. Rauh indicated they will further discuss this item once Ms. Pearce returns.

**ITEM 4:**      **Risk Management Review**

- **Open Discussion**
- **Style Analysis**
- **Stress Testing**
- **Factor Analysis**

Mr. Rauh led the Committee in an open discussion of risk management. The Committee members indicated what questions they would like answered. Mr. Rauh reviewed with the Committee his framework for the Risk Management Review.

NEPC indicated their perspective of the Risk Management Review and how to manage risk.

(Ms. Pearce arrived during this agenda item.)

There was a discussion about pension obligation bonds. Ms. Pearce reviewed the State's rating with the Committee, as well as discussed the interest rate and funding of the three systems.

Mr. Considine reviewed with the Committee the VPIC performance under various scenarios. Ms. George reviewed with the Committee stress testing scenarios. Mr. Considine and Ms. George answered the questions posed by the Committee members.

Mr. Levell reviewed with the Committee the *Portfolio Factor Analysis*.

(A luncheon recess was taken from 12:00 p.m. to 12:45 p.m.)

(Mr. Golonka and Mr. Wisloski were not present at this time.)

NEPC further discussed with the Committee the *Portfolio Factor Analysis* and answered the questions posed by the Committee members. NEPC discussed stress testing relative to risk management.

(Ms. Paul entered the meeting during this agenda item.)

Mr. Rauh wrapped up the discussion concerning Risk Management. The Committee indicated it was useful and provided a lot of information to digest.

**ITEM 5:      Discussion Items/Updates (Continued)**

- **Vermont State Treasurer's Update**
- **Contract Update**

Ms. Pearce provided the Committee a brief overview of the GASB new standards of reporting and accounting.

Mr. Rauh reviewed with the Committee the motion that was made relative to the J.P. Morgan custodial contract.

**On a motion by Mr. Jeffrey, seconded by Mr. Altemus, and after a friendly amendment by Ms. Pearce, the Committee unanimously agreed to authorize the Chairperson, Mr. Stephen Rauh and the Treasurer, Elizabeth Pearce to execute and sign on behalf of VPIC the custodial contract with J.P. Morgan to be effective July 1, 2012.**

Mr. Altemus provided the Committee with a brief report of his attendance at the PIMCO conference. Mr. Altemus indicated it was a worthwhile conference to attend.

**ITEM 6:      Economic and Financial Market Dashboard**

The Committee discussed the economic and financial market dashboard. Mr. Considine indicated they will continue to work on the dashboard format to see if they can improve it.

**ITEM 7:      Other or New Business**

None.

**ITEM 8:      Adjournment**

**On a motion by Mr. Jeffrey, seconded by Mr. Altemus, the Committee unanimously agreed to adjourn at 2:00 p.m.**

Respectfully submitted,

Monica Chiren, Clerk